

BEFORE
THE PUBLIC SERVICE COMMISSION OF
SOUTH CAROLINA
DOCKET NO. 2000-0256-E - ORDER NO. 2000-0500
JUNE 12, 2000

IN RE: Application of Carolina Power & Light)	ORDER GRANTING
Company for Authority to Enter into)	AUTHORITY TO ENTER
Pollution Control Bond Refinancings)	INTO POLLUTION
)	CONTROL BOND
)	REFINANCINGS
)	

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This matter comes before the Public Service Commission of South Carolina (the Commission) upon Application of Carolina Power & Light Company (the Company), filed on May 25, 2000, requesting authority to enter into pollution control bond refinancings.

FINDINGS OF FACT

1. The Company's correct name and post office address are Carolina Power & Light Company, Post Office Box 1551, Raleigh, North Carolina 27602. The names and post office addresses of its attorneys are William F. Austin, Austin, Lewis & Rogers, Post Office Box 11716, Columbia, South Carolina 29201; and Patricia Kornegay-Timmons, Post Office Box 1551, Raleigh, North Carolina 27602. The Company is a full service energy provider organized and existing under the laws of the State of North Carolina, and is an exempt holding company as defined by the Public Utility Holding Company Act of 1935, with its principal office at 411 Fayetteville Street Mall, Raleigh, North Carolina 27601, where it is primarily engaged in the business of generating, transmitting, delivering and furnishing electricity, and transmitting, distributing and selling natural gas to the public for compensation.

2. The Company's capital stock outstanding at March 31, 2000, consisted of Common Stock with a stated value of \$1,616,355,000 and Preferred Stock with a stated value of \$59,376,000. As of March 31, 2000, the retained earnings of the Company were \$1,813,478,000.

The Company's existing long-term debt at March 31, 2000, consisted of principal amounts of \$1,708,329,000 in First Mortgage Bonds and \$1,320,478,000 in other long-term debt, including \$274,500,000 of commercial paper reclassified as long-term debt for financial reporting purposes. The First Mortgage Bonds were issued under and pursuant to an Indenture of Trust dated as of May 1, 1940, duly executed by the Company to The Bank of New York (formerly Irving Trust Company), as Corporate Trustee, and Frederick G. Herbst, as Individual Trustee, succeeded by Douglas J. MacInnes, who presently is acting as Individual Trustee, as supplemented by sixty-eight Supplemental Indentures (the "Mortgage").

3. As indicated on page 13 of the Company's Form 10-K for the year ended December 31, 1999, the Company's capital requirements are projected to total approximately \$1,095 million in 2000 and \$943 million in 2001.

4. Pursuant to the provisions of its Charter and for the purposes hereinafter stated, the Company proposes to enter into the Loan Agreements, with The Wake County Industrial Facilities and Pollution Control Financing Authority in Wake County, North Carolina (the "Wake Authority"), and with the Person County Industrial Facilities and Pollution Control Financing Authority (the "Person Authority"), with such Loan Agreements to be substantially in the form of the draft Loan Agreement attached to the Company's Application as Exhibit A. Under the terms of the Loan Agreement with the Wake Authority, the Wake Authority will issue and sell one or more issues of Pollution Control Revenue Refunding Bonds (Carolina Power &

Light Company Project), Series 2000 in the aggregate principal amount of up to \$396,400,000 (the “Wake Refunding Bonds”) in accordance with the Indentures of Trust between the Wake Authority and First Union National Bank, as Trustee, with such Indentures of Trust, to be substantially in the form of the draft Indenture of Trust attached to the Company’s Application as Exhibit B. Similarly, the Person Authority will issue and sell one or more issues of Pollution Control Revenue Refunding Bonds (Carolina Power & Light Company Project), Series 2000 in the aggregate principal amount of up to \$101,240,000 (the “Person Refunding Bonds”) in accordance with the Indentures of Trust between the Person Authority and First Union National Bank, as Trustee, with such Indentures of Trust to be substantially in the form attached to the Company’s Application as Exhibit B. Such sales by the Wake Authority and the Person Authority will be made in underwritten public offerings as described in two Official Statements, with such Official Statements to be substantially in the form of the draft Official Statement attached to the Company’s Application as Exhibit C. The Wake Refunding Bonds and the Person Refunding Bonds will mature no later than twenty-five (25) years from the date of issuance, and will initially bear interest as determined through a dutch auction process based on the condition of the financial market at the time of pricing. The interest rate on the Refunding Bonds will initially adjust at 7 or 35-day intervals through additional dutch auctions, and the interval between auctions may be changed in accordance with the terms of the Indenture of Trust. The Refunding Bonds issued as dutch auction bonds may be converted to bear interest at a daily variable rate, a weekly variable rate, a commercial paper variable rate, a term rate for a term of one or more whole years, or a fixed rate to maturity as determined by the Company, with reference to market conditions.

5. The Refunding Bonds will be secured by bond insurance, which will guarantee timely payment of the principal and interest to the bond holders. Additionally, the obligations of the Company under the Loan Agreements with the Wake Authority and the Person Authority will initially be secured by one or more series of First Mortgage Bonds, such First Mortgage Bonds to be released and returned to the Company, to be replaced by unsecured Notes at the same time as the Company's previously issued "fall-away" First Mortgage Bonds become unsecured. (The Company issued "fall-away" First Mortgage Bonds as security for senior notes it issued on March 5, 1999 and April 11, 2000. Those senior notes will become unsecured when the Company's other First Mortgage Bonds are retired.) The Company's First Mortgage Bonds will be created and issued under, and subject to, the provisions of the Company's Mortgage, as heretofore supplemented and as to be further supplemented by Supplemental Indentures, substantially in the form attached to the Company's Application as Exhibit D, to be executed in connection with their issuance.

6. The proceeds from the sale of the Wake Refunding Bonds will be loaned by the Wake Authority to the Company for the purpose of refinancing by the payment or redemption, or provision therefor of the following: the Wake Authority's \$67,300,000 Pollution Control Revenue Bonds (Carolina Power & Light Company Project) Series 1985A; the Wake Authority's \$50,000,000 Pollution Control Revenue Bonds (Carolina Power & Light Company Project) Series 1985B; the Wake Authority's \$97,400,000 Pollution Control Revenue Bonds (Carolina Power & Light Company Project) Series 1985C; the Wake Authority's \$43,500,000 Pollution Control Revenue Bonds (Carolina Power & Light Company Project) Series 1987, of which \$41,700,000 is currently outstanding; the Wake Authority's \$70,000,000 Pollution Control Revenue Refunding Bonds (Carolina Power & Light Company Project) Series 1990A; and the

Wake Authority's \$70,000,000 Pollution Control Revenue Refunding Bonds (Carolina Power & Light Company Project) Series 1990B (collectively, the "Wake County Bonds"). The issuances of the Wake County Bonds were approved by this Commission in Docket Nos. 84-277-E; 85-296-E; 87-69-E; and 90-104-E for the purpose of financing or refinancing the construction and installation of certain air and water pollution control and solid waste disposal facilities at the Company's Harris Plant in Wake County, North Carolina.

7. The proceeds from the sale of the Person Refunding Bonds will be loaned by the Person Authority to the Company for the purpose of refinancing by the payment or redemption, or provision therefor of the following: the Person Authority's \$45,600,000 Solid Waste Disposal Revenue Bonds (Carolina Power & Light Company Project) Series 1986 and the Person Authority's \$55,640,000 Pollution Control Revenue Refunding Bonds (Carolina Power & Light Company Project) Series 1992A (collectively, the "Person County Bonds"). The issuances of the Person County Bonds were approved by the Commission in Docket Nos. 86-483-E and 92-089-E for the purpose of financing or refinancing certain air and pollution control and solid waste disposal equipment at the Company's Mayo Steam Electric Plant and its Roxboro Steam Electric Plant in Person County.

8. The Company's obligation to make the payments due under the Loan Agreement for principal and interest on the Bonds is absolute, irrevocable and unconditional. The Company estimates that it will incur expenses of approximately \$640,000, underwriters' fees of approximately \$1,866,150 and insurance premium expenses of approximately \$5,500,000 in connection with the transaction.

9. In the period from December 31, 1998, through March 31, 2000, the Company had a net increase in cash and cash equivalents of approximately \$7,672,000. Attached to the Company's Application as Exhibit E is a statement of such cash flows.

10. Pursuant to Order 91-72 in Docket No. 91-032-E the Commission requires all electric utilities to provide information responsive to certain questions listed in the Order. The Company has responded to each of those questions as follows:

- a. The Company's Consolidated Financial Statements as of December 31, 1999, and Consolidated Interim Financial Statements as of March 31, 2000 are attached to the Company's Application as Exhibit F and Exhibit G respectively. Pro Forma financial statements showing the effect of the proposed pollution control bond refinancings are attached to the Company's Application as Exhibit H.
- b. The proceeds from the sale of the Wake Refunding Bonds will be loaned by the Wake Authority to the Company for the purpose of refinancing by the payment or redemption, or provision therefor of the following: the Wake Authority's \$67,300,000 Pollution Control Revenue Bonds (Carolina Power & Light Company Project) Series 1985A; the Wake Authority's \$50,000,000 Pollution Control Revenue Bonds (Carolina Power & Light Company Project) Series 1985B; the Wake Authority's \$97,400,000 Pollution Control Revenue Bonds (Carolina Power & Light Company Project) Series 1985C; the Wake Authority's \$43,500,000 Pollution Control Revenue Bonds (Carolina Power & Light Company Project) Series 1987 of which \$41,700,000 is currently outstanding; the Wake Authority's \$70,000,000 Pollution Control Revenue Refunding Bonds (Carolina Power & Light Company Project) Series 1990A; and the Wake

Authority's \$70,000,000 Pollution Control Revenue Refunding Bonds (Carolina Power & Light Company Project) Series 1990B (collectively, the "Wake County Bonds"). The proceeds from the sale of the Person Refunding Bonds will be loaned by the Person Authority to the Company for the purpose of refinancing by the payment or redemption, or provision therefor of the following: the Person Authority's \$45,600,000 Solid Waste Disposal Revenue Bonds (Carolina Power & Light Company Project) Series 1986 and the Person Authority's \$55,640,000 Pollution Control Revenue Refunding Bonds (Carolina Power & Light Company Project) Series 1992A (collectively, the "Person County Bonds"). For financial reporting purposes, the Company currently has no short-term debt. Thus, no statement of construction expenditures is included with the Company's Application.

- c. If the authority to issue and sell additional long-term debt on the conditions set forth above is delayed or not granted, (a) the Company's costs associated with the back-up liquidity facilities that are currently required and will be renewed early next year will increase and (b) the Company's options under which to manage its portfolio will be limited due to the out-of-date documentation associated with the Wake County Bonds and the Person County Bonds.
- d. The Wake Refunding Bonds and the Person Refunding Bonds will initially bear interest as determined through a dutch auction process based on the condition of the financial market at the time of pricing. The interest rate on the Refunding Bonds will initially adjust at 7 or 35-day intervals through additional dutch auctions, and the interval between auctions may be changed in accordance with

the terms of the Indenture of Trust. The Refunding Bonds issued as dutch auction bonds may be converted to bear interest at a daily variable rate, a weekly variable rate, a commercial paper variable rate, a term rate for a term of one or more whole years, or a fixed rate to maturity as determined by the Company, with reference to market conditions.

e. The issuance of long-term debt securities benefits the Company by enabling it to achieve the purposes set forth in paragraph (b) above. Information regarding the expected costs of the proposed long-term debt securities are provided above in paragraph 8.

f. The impact of the proposed transaction on the Company's capital structure at September 30, 1998 is represented in the pro forma financial statements provided in Exhibit H to the Company's Application.

11. Approval of this Application does not bind the Commission as to the ratemaking treatment of this issuance.

12. This Order shall not, in any way, affect or limit the right, duty, or jurisdiction of the Commission to further investigate and order revisions, modifications, or changes with respect to any provision of this Order in accordance with the law.

CONCLUSIONS OF LAW

From a review and study of the Application, its supporting data and other information in the Commission's files, the Commission finds that the transaction or transactions herein proposed:

- (i) Are for a lawful object within the corporate purposes of the Company;
- (ii) Are compatible with the public interest;

- (iii) Are necessary and appropriate for and consistent with the proper performance by the Company of its service to the public as a utility;
- (iv) Will not impair the Company's ability to perform its service to the public; and
- (v) Are reasonably necessary and appropriate to provide adequate funds for such corporate purposes.

IT IS THEREFORE ORDERED THAT:

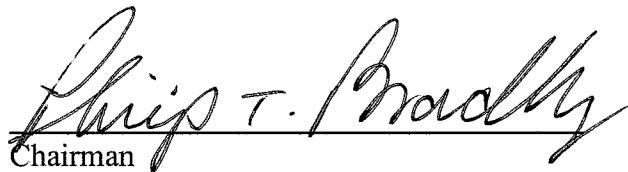
1. Carolina Power & Light Company be and hereby is authorized, empowered and permitted (i) to enter into the proposed transactions pursuant to the terms and conditions described herein, and (ii) to execute, deliver, and carry out such instruments, documents and agreements as shall be necessary or appropriate to effectuate such transactions.

2. Approval of this Application does not bind the Commission as to the ratemaking treatment of the contemplated issuances.

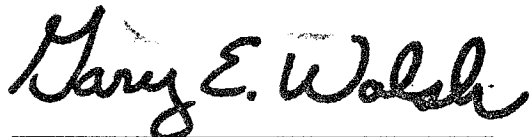
3. This Order shall not, in any way, affect or limit the right, duty, or jurisdiction of the Commission to further investigate and order revisions, modifications, or changes with respect to any provision of this Order in accordance with the law.

4. This Order shall remain in full force and effect until further Order of the Commission.

BY ORDER OF THE COMMISSION:


Chairman

ATTEST:



Executive Director

(SEAL)